



REALTOR® Office Contact (ROC) - Legislative Briefing November / December 2009

Every day governmental bodies and elected officials are making decisions that impact the real estate industry and thus REALTOR® livelihoods. This briefing will help keep you informed about the issues which could affect you and how the San Diego Association of REALTORS® is working to protect your business.

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President Signs Tax Credit Extension and Expansion On votes of 98- 0 and 403 - 12, the Senate and House have respectively passed legislation that includes an extension and expansion of the homebuyer tax credit. President Obama signed the legislation on Friday, November 6. Many parts of it take effect immediately. As of the signing of the legislation, the income limits increase to \$125,000 adjusted gross income on a single return and \$225,000 on a joint return. In addition, the so-called "move-up" credit is also in effect as of November 6. Thus, individuals who have used a home as a principal residence for 5 consecutive years of the past 8 years will be eligible for a \$6500 refundable tax credit for purchases completed between November 6, 2009 and April 30, 2010. [Homebuyer Tax Credit Summary](#)

Congress Votes to Extend FHA and GSE Loan Limits through 2010 Last week, the House and Senate passed legislation to extend the current loan limits for FHA and Freddie Mac and Fannie Mae (the government sponsored enterprises, or GSEs) through December 31, 2010. These loan limits, set at 125% of local area median home price and capped at \$729,750, would have expired on December 31, 2009 in which case loan limits would have been reduced in many markets. The extension is included in the Continuing Resolution (CR) to fund the government for the remainder of 2009. The CR is part of the Department of Interior FY2010 Appropriations bill. As of the deadline for filing this report, the President was expected to sign the bill into law over the weekend.

Fannie Mae Announces Deed-For-Lease Program On November 5, 2009, Fannie Mae announced its new Deed-for-Lease Program (D4L) that allows eligible borrowers facing foreclosure (or their tenants) to stay in their primary residences. Under D4L, the borrower transfers ownership of the property to the lender through a deed-in-lieu of foreclosure and the borrower (or the tenant) signs a lease for up to 12 months. The program is designed for borrowers who don't qualify for other workout solutions, including modifications, or who do not meet their obligations under the modification. The purpose of the program is to minimize displacement of families and deterioration of neighborhoods that often occurs when homes are left vacant. The rent may not exceed 31 percent of the family's gross income. Fannie reserve the right to market the property during the lease term and may sell it to an investor subject to the lease. [Fannie Mae Statement \(including links to Announcement 09-33 and FAQs\)](#)

Loan Limit Appeals Process Announced Contrary to previous reports, FHA and FHFA will permit appeals for the 2010 limits. The 2010 limits will remain the same from the current limits at 125% of local area median home price up to \$729,750 (with a floor for FHA of \$271,050 and \$417,000 for Freddie Mac and Fannie Mae). A full list of the limits is available at HUD.

If you wish to appeal your loan limit, and can demonstrate that sales prices are higher than the current limits, there is a set procedure, and time is short. All appeals must be made by December 21, 2009. Appeals will all be handled by the Santa Ana Homeownership Center. Full details are available in HUD's Mortgage Letter 2009-50. This will be the only opportunity to appeal the 2010 limits.

[Full List of 2010 Limits](#)
[HUD's Mortgage Letter 2009-50](#)



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Fannie Announces "First Look" Program for its REO Properties On November 24, 2009, Fannie Mae announced the national launch of its "First Look" program designed to support neighborhood stabilization and promote home purchases by owner occupants and by public entities. The program applies to the more than 70,000 properties owned by Fannie Mae (its real estate owned (REO) inventory). During the first 15 days a property is listed for sale, only buyers who intend to occupy the home and public entities committed to the community may purchase a Fannie Mae REO property. Fannie will waive the earnest money/deposit requirement for public entities, and lower these requirement for individuals who have qualified to use public funds for the purchase. Buyers get 45 days to close—15 days longer than usual. Fannie Mae does not reduce commissions related to the sale of its REO properties. Investor offers will only be considered after the initial 15 day period.

[Fannie Mae News Release](#)

Congress Fails to Act on Expiring Estate Tax Throughout 2009, tax professional have insisted that Congress must act on the estate tax. If Congress does not act, the estate tax would be repealed in 2010. Then, in 2011, the pre-2001 law would be reinstated so that the estate tax exclusion would be \$1 million and the maximum tax rate would be 55%. For 2009, the exclusion is \$3.5 million and the maximum rate is 45%. Finance Committee Chairman Baucus (D-MT) has introduced legislation to make the 2009 rules permanent. To facilitate this change, the Senate Budget Resolution included a so-called "unfunded reserve" that provides the Finance Committee with budgetary authority to adopt Chairman Baucus's legislation.

Notwithstanding the urgency of this issue, however, it presently appears that Congress will not act to extend or revise the estate tax. Thus, the scenario in which the estate tax is repealed for 2010 but springs back to life in 2011 is the most likely outcome. Some legislators have said that Congress will act in 2010 to make 2009 law (or something slightly more generous) permanent, and that the changes would be retroactive to January 1, 2010. Other commentators believe that it would be unconstitutional to make retroactive changes to the estate tax, however, because the estate tax is driven solely on the question of the date of death.